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UNITED STATES DEPARTMENT OF AGRICULTURE

THE DAIRY INDUSTRY AND PRICE SUPPORTS

I. Improvements in the dairy business have occurred since price supports were reduced on April 1, 1954.

A. Number of dairy cows has been reduced:

Thousands of milk cows on farms Jan. 1

1952	23,060
1953	23,549
1954	23,896
1955	23,462
1956	23,318

B. Rate of increase in production has been retarded:

Total milk production on farms -  
billion pounds

1952	114.7
1953	120.2
1954	122.1
1955	123.5

C. Total consumption of milk has increased:

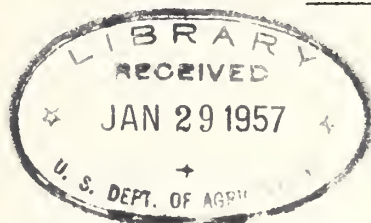
Billion pounds

1952	107
1953	108
1954	111
1955	116

D. Per capita consumption of dairy products has increased:

Pounds, milk equivalent

1950	731
1951	705
1952	691
1953	682
1954	691
1955	703



E. Per capita consumption of butter has increased:

Pounds per person

1952	8.6
1953	8.5
1954	9.0
1955	9.2

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1921-1922

1921

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F. Government purchases have been reduced:

	<u>Million pounds purchased</u>		
	<u>Butter</u>	<u>Cheese</u>	<u>Non-fat dry milk solids</u>
1952-53	143	75	210
1953-54	380	456	666
1954-55	211	153	523
1955-56 (10½ months)	150	135	517

G. The government's hoard of dairy products has been reduced:

	<u>Million pounds</u>		
	<u>Butter</u>	<u>Cheese</u>	<u>Non-fat dry milk solids</u>
Peak holdings	466 <sup>a/</sup>	436 <sup>b/</sup>	599 <sup>c/</sup>
Jan. 31, 1956	48	248	8

a. July 28, 1954.      b. Sept. 29, 1954.      c. April 28, 1954.

H. Milk prices have stabilized:

	<u>Price per hundred pounds for milk sold at wholesale</u>
1953	\$ 4.31
1954	3.96
1955	4.00

I. Feed prices have declined:

	<u>Mixed dairy feed, 16% protein - price per 100 pounds</u>
Dec. 1953	\$ 3.87
Dec. 1954	3.84
Dec. 1955	3.58

J. Incomes from the sale of milk have risen slightly:

	<u>Billion dollars</u>
1953	4.4
1954	4.1
1955	4.2 (preliminary)





II. Section 105 of S. 3183 has two provisions regarding dairy:

- A. The minimum level at which the price of milk could be supported would be 80 percent of parity instead of 75 percent as at present.
- B. Parity computations for manufacturing milk would be based on the 30 months July 1946 to December 1948, an exceptionally favorable period.

III. The effects of these changes would be:

- A. To make necessary an increase of 10 cents per hundred pounds in the present level of price support for manufacturing milk, from \$3.15 to \$3.25.
- B. To boost the minimum level of price support for manufacturing milk from \$2.88 to \$3.25. In other words, supports would be boosted above present levels and there would be no opportunity to lower them, even though supply might increase or demand diminish.
- C. This section would freeze forever a parity relationship which is already badly out of date and will become more so.
- D. Section 105 proposes, in effect, an increase of 13 percent in the minimum level of price support for manufacturing milk and an increase of 3 percent in the present level of price support.

IV. Section 105 should be deleted from S. 3183 for these reasons:

- A. Milk production would be further increased.  
According to House Document No. 57, 84th Congress, first session, an increase of 3 percent in the level of price supports for dairy products would bring about a further increase in milk production of about 600 million pounds a year.
- B. Consumption of dairy products would be reduced.  
According to the above source, civilian consumption would be reduced by about a billion pounds.
- C. Government costs would increase.  
An increase of 3 percent in the level of price support would cost the government approximately an additional \$75 million.



- D. Merchandising and promotional activities on the part of the trade would diminish.

Why work to sell dairy products when Uncle Sam will pay more than the trade?

- E. If supports are boosted, heavy stocks will be acquired, great losses will be experienced and production controls will come into the picture as they have for other commodities which are supported permanently and substantially above the market level.

- V. If Section 105 is deleted, the present law continues in effect.

- A. That is, the price of milk will be supported at such level, ranging from 75 to 90 percent of parity, as is necessary to provide an adequate supply.
- B. The Secretary of Agriculture has announced that he will support the price of manufacturing milk at 82 percent of present parity equivalent during this coming year, well above the present minimum. He is now supporting the price of milk on a discretionary basis at a price fully as high as is justified on the basis of legal and economic considerations.
- C. President Eisenhower has sent two special messages to the Congress. He has urged changes in the price support law for many commodities, but has continually supported the present price support legislation for dairy products.



